



## **SMALL BUSINESS ECONOMIC IMPACT STATEMENT FOR PROPOSED RULES TO CHAPTER 16-610 WAC**

### **SUMMARY OF PROPOSED RULES**

The Washington State Department of Agriculture's Livestock Inspection program is proposing to amend chapter 16-610 of the Washington Administrative Code (WAC).

The Livestock Inspection Program is dedicated to providing asset protection for the livestock industry by recording brands, licensing feedlots and public livestock markets, and by conducting surveillance and inspection of livestock at time of sale and upon out of state movement. The purpose of this chapter is to regulate and govern the Livestock Inspection Program and livestock industry.

The proposed amendments to this chapter include:

- Eliminate the livestock inspection exemption for private sales of unbranded, female, dairy breed cattle involving fifteen head or less;
- Clarify the need for a certificate of permit to accompany transactions involving cattle not being moved out of state when presented for an inspection by the buyer;
- Add the reference for the animal disease traceability fee to the cost of custom slaughter beef tags.

### **SMALL BUSINESS ECONOMIC IMPACT STATEMENT**

Chapter 19.85 RCW, the Regulatory Fairness Act, requires an analysis of the economic impact proposed rules will have on regulated businesses. Preparation of a Small Business Economic Impact Statement is required when proposed rules have the potential to impose more than minor costs on businesses.

"Minor cost" means a cost that is less than 1% of annual payroll or the greater of either .3% of annual revenue or \$100.

"Small business" means any business entity that is owned and operated independently from all other businesses and has 50 or fewer employees.

### **INDUSTRY ANALYSIS**

The proposed rule impacts businesses that fall under the North American Industry Classification System codes corresponding to the regulated industry: 112111, Cattle farming or ranching; 112120, Dairy cattle and milk production; 424520, Cattle merchant wholesalers.

## **INVOLVEMENT OF SMALL BUSINESSES**

Small businesses have been involved in writing the proposed rules and in providing the department with the expected costs associated with the changes. The department has been working with industry members, discussing Animal Disease Traceability and the removal of the fifteen head exemption since 2007. There have been a number of work sessions with industry members and presentations at industry meetings. Along with existing efforts, a small business economic impact assessment survey was mailed to 502 dairy producers and cattle dealers to analyze the economic impact of proposed rules on small businesses. WSDA analyzed how the removal of the fifteen head exemption would impact the dairy industry in the state.

## **COST OF COMPLIANCE**

RCW 19.85.040 directs agencies to analyze the costs of compliance for businesses required to comply with the proposed rule.

The program has analyzed the cost of compliance anticipated by regulated small businesses. Forty small businesses, three large businesses, and one unknown size business returned the small business economic impact survey. Seventy-eight percent of small businesses and thirty-three percent of the large businesses surveyed indicated that removing the fifteen head exemption would have an impact. Seventy-three percent of small businesses and thirty-three percent of large businesses indicated that they would need additional resources; eight percent of small businesses and zero percent of large businesses indicated that they would need to increase staff; and thirty percent of small businesses and zero percent of large businesses thought they may lose sales or revenue to comply with the laws.

The cost of a brand inspection on the class of cattle covered under the current fifteen head exemption is \$1.60 per head (\$24.00 for 15 head).

## **JOBS CREATED OR LOST**

Under RCW 19.85.040, agencies must provide an estimate of the number of jobs that will be created or lost as the result of compliance with the proposed rules.

In collecting information from representative small businesses through the survey the program estimates that eight percent of small businesses will need to increase their current staff by one or two employees to comply with the proposed changes.

## **DISPROPORTIONATE IMPACT TO SMALL BUSINESSES**

RCW 19.85.040 directs agencies to determine whether the proposed rule will have a disproportionate cost impact on small businesses by comparing the cost of compliance for small business with the cost of compliance for the ten percent of the largest businesses required to comply with the proposed rules. Use one or more of the following as a basis for comparing costs:

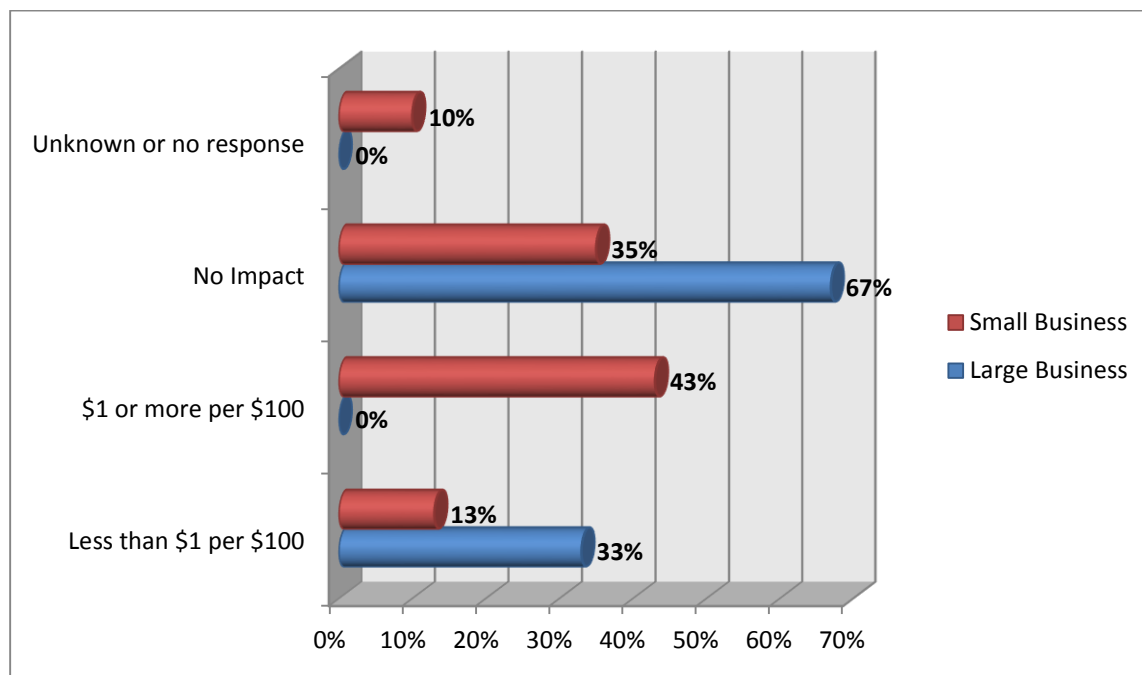
- Cost per employee;
- Cost per hour of labor; or
- Cost per one hundred dollars of sales.

The program has opted to look at cost per one hundred dollars of sales as a basis for comparing costs. The program has analyzed the cost of compliance anticipated by regulated small businesses.

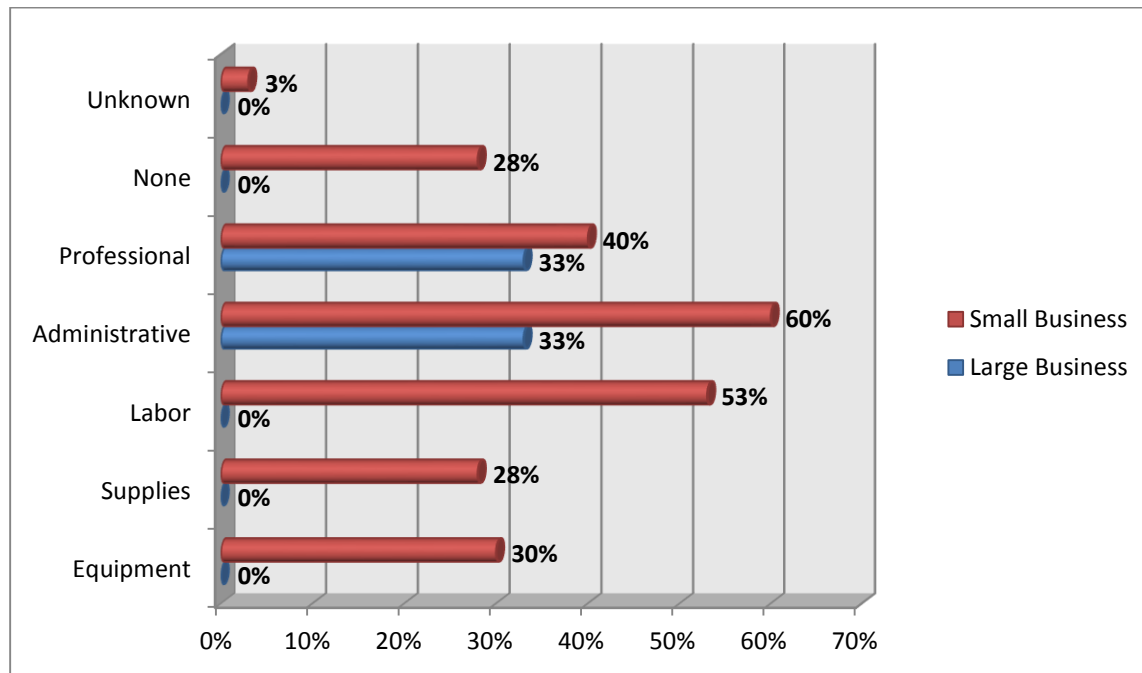
The following questions were asked and then charted for business that may experience impact from removing the 15 head exemption language from chapter 16-610 WAC:

- How much does your business expect to pay to comply with the rule?
- What kinds of resources will the business likely need i.e. equipment, supplies, labor increased administrative costs or professional services?
- Will the business lose sales or revenue? If yes, how much revenue will be lost?
- Will the estimated cost of compliance be more than “minor” (defined as more than 3/10 of 1% of annual revenue; or more than \$100; or more than 1% of annual payroll)?

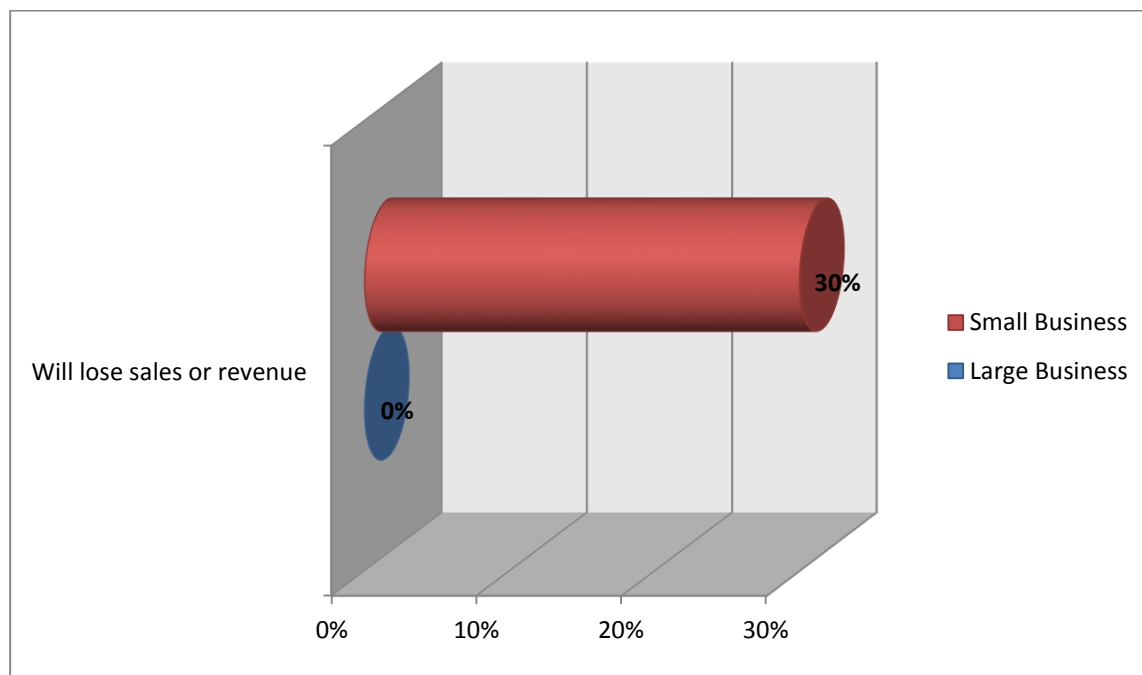
Question: How much does your business expect to pay to comply with the rule?



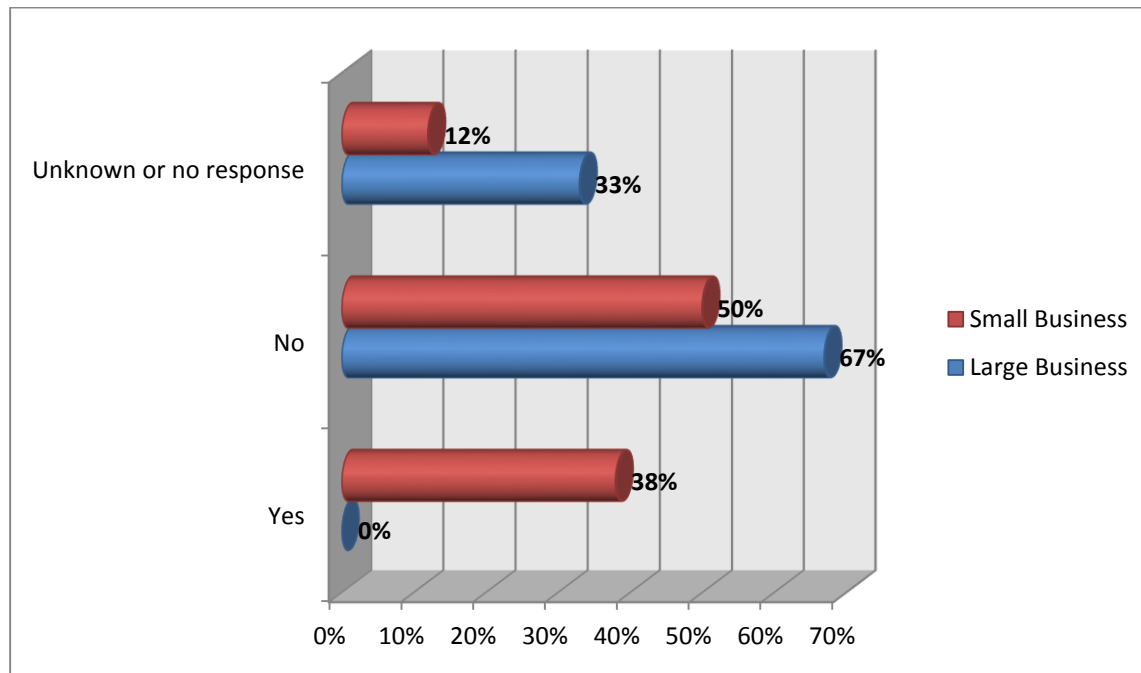
Question: What kinds of resources will the business likely need i.e. equipment, supplies, labor increased administrative costs or professional services?



Question: Will the business lose sales or revenue?



Question: Will the estimated cost of compliance be more than “minor” (defined as more than 3/10 of 1% of annual revenue; or more than \$100; or more than 1% of annual payroll)?



## CONCLUSION

To comply with chapter 19.85 RCW, the Regulatory Fairness Act, the Livestock Inspection program has analyzed the economic impact of the proposed rules on small businesses and has concluded that, depending upon the number of cattle sold per year, the costs may be more than minor (greater than \$100.00), but there is no disproportionate impact between small and large businesses. The department will work with affected businesses for potential ways to mitigate costs for small businesses.

Please contact Dawn Grummer if you have any questions at (360) 902-1987 or by e-mail at [dgast@agr.wa.gov](mailto:dgast@agr.wa.gov).